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FM AMEMBASSY TASHKENT
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INFO ALL SOUTH AND CENTRAL ASIA COLLECTIVE
CIS COLLECTIVE
RHMCSUU/CDR USCENCOM MACDILL AFB FL
RHMFISS/CDR USTRANSCOM SCOTT AFB IL
RUEHHE/AMEMBASSY HELSINKI
RUEHNT/AMEMBASSY TASHKENT
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C O N F I D E N T I A L SECTION 01 OF 02 TASHKENT 000103

SIPDIS
SENSITIVE
SBU DELIBERATIVE PROCESS
DEPT FOR SCA/CEN AND EB
TRANSCOM FOR KATHY JOHNSON CASARES
CENTCOM FOR MICHAEL GFOELLER
OSD FOR CLARK ADAMS
AMEMBASSY HELSINKI PASS TO AMCONSUL ST PETERSBURG
AMEMBASSY MOSCOW PASS TO AMCONSUL VLADIVOSTOK
AMEMBASSY MOSCOW PASS TO AMCONSUL YEKATERINBURG
AMEMBASSY ASTANA PASS TO USOFFICE ALMATY
AMEMBASSY NEW DELHI PASS TO AMCONSUL HYDERABAD

E.O. 12958: DECL: 2019-01-23

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SUBJECT: UZBEKISTAN ROLLS OUT RED CARPET FOR DEFENSE LOGISTICS AGENCY

CLASSIFIED BY: Robert McCutcheon, Economic Officer; REASON: 1.4(B), (D)

¶1. (C) SUMMARY. As part of the continuing effort to establish a Northern Distribution Network (NDN) to support U.S. forces in Afghanistan, a Defense Logistics Agency (DLA) delegation visited Tashkent on January 13-15 to look at opportunities for local procurement. Local procurement is something the Uzbeks, including President Karimov, view as a major benefit of cooperation on NDN, and the GOU went to great lengths to help its industry put on its best face. Embassy Tashkent believes that local procurement, in addition to its possible economic benefits, is a vital component of guaranteeing safe and expeditious logistical support through Uzbekistan. Even at the expense of greater initial effort or investment, we strongly encourage DLA to follow through with procurement in Uzbekistan. END SUMMARY

GOU PULLS OUT ALL STOPS FOR DLA

¶2. (SBU) A four-person delegation from DLA came to Tashkent on January 13-15 to investigate possibilities for local procurement in support of forces in Afghanistan. Their visit included meetings with Minister of Economy Khodjaev and Minister of Foreign Economic Relations Ganiev, a commercial exhibition organized exclusively for DLA, meetings with business representatives, and site visits to large bakery and cooking oil production plants as well as several factories and other facilities in the Tashkent area.

¶3. (SBU) Minister of Economy Khodjaev welcomed the DLA group, noting that with more than 16,000 companies in operation in Uzbekistan today, the DLA delegation would be able to see only 1 percent of the country's potential. Saying he was aware DLA is primarily interested in procuring subsistence products such as water and juice, construction materials, and possibly fresh fruits and vegetables, Khodjaev said Uzbekistan has much it could provide in all these categories. In addition, Nestle is producing bottled water and milk, and Coca-Cola has three bottling plants.

¶4. (SBU) The DLA delegation went next to the National Exhibition Hall, Uzbekistan's largest exhibition center where major events such as the International Cotton Fair are usually hosted. On this occasion, however, the exhibition hall had been taken over by the Ministry for Foreign Economic Relations, Investments, and Trade (MFERIT), which had organized a large trade exhibition exclusively for the four-person DLA delegation, using as a guide a "Top 50" list of products now shipped to Afghanistan that DLA had provided earlier. For an entire afternoon the DLA group was able to visit exhibition booths covering the breadth of Uzbek economic activity. The booths were organized by production associations that included Uzbek Railways, Uzstandart (Uzbekistan Standards Association), Uzneftmahsulot (Uzbek Fuel and Lubricant), Uzbekyengil Sanoat (Uzbek Textile Assoc.), Sovplasital OJSC (plastics), Ugshsutsanoat (Uzbek Meat and Dairy), and others.

¶5. (SBU) On January 14 the DLA group returned to the exhibition hall for the morning. In the afternoon they broke into two groups, one going on site visits to a large bakery as well as a cooking oil production facility and the other holding meetings with representatives of firms that are members of the American Chamber of Commerce (AmCham) in Tashkent. AmCham members who participated in these meetings included JMP Intl. (fruit juices), BNZ Swiss Center (Uzbek distributor for Hilti, Snap-On Tools, and other European companies), Classic International (import-export), and Panalpina Central Asia (shipping). On the morning of January 15 DLA visited the Coca-Cola bottling plant in Tashkent, where production has been halted for over a month due to an as-yet

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unexplained cutoff in natural gas.

¶6. (SBU) The DLA delegation's visit ended with a meeting with Minister for Foreign Economic Relations Ganiev, who told the group that Uzbekistan is open to their proposals and is ready to comply with DLA standards and requirements. He pointed to Uzbekistan's minimal transportation costs and highlighted Uzbekistan's

experience of trade with Afghanistan, which has grown from \$90 million in 2003 to over \$500 million in 2008.

17. (SBU) The DLA delegation was effusive in expressing its appreciation to Minister Ganiev. They noted that juice and Coca-Cola products are likely candidates for procurement in the near future with fresh fruits and vegetables possibly to follow later. The bakery and cooking oil plant that the delegation visited also show promise. Paint and construction materials, specifically lumber and plywood, might be the subject of further dialog. DLA explained that a next step would be for a veterinary team to visit Uzbek production facilities, although some facilities such as Coca-Cola and Nestle, which is already certified to provide bottled water to US standard, may also be easily approved to provide juices as well as milk (liquid and power).

18. (SBU) Minister Ganiev pointed out that Uzbekistan already meets ISO 9001 standards and is ready to tailor this to meet U.S. requirements. He reiterated that Uzbekistan is open for all proposals. "If an industry does not exist in Uzbekistan," he said, "we are prepared to create it."

COMMENT

19. (C) The fact that the Uzbek Government took over the entire National Exhibition Hall to host a major exhibition just for this 4-person delegation reflects the seriousness with which the GOU views the potential for a commercial relationship with the U.S. military. Procuring needed supplies from Uzbek suppliers is very attractive both to Uzbek businessmen and to the GOU. It makes the NDN more attractive to the GOU, which was frustrated at the lack of local procurement at the time the U.S. military operated its air base at Karshi-Khanabad (K2). President Karimov has told the Ambassador that the lack of U.S. local purchasing for military supply and economic development in Afghanistan was a major disappointment to the Government after it took the risk of making a base available to U.S. forces after 9/11. There is no question this issue contributed to a fraying of the bilateral understanding and cooperation even before the events in Andijon in 2005. We should not repeat the mistake of overlooking local economic benefit as a major factor in securing sustained political support for transit by creating a constituency of stakeholders beyond Uzbekistan's corridors of power.
NORLAND

To view the entire SMART message, go to URL http://repository.state.sgov.gov/_layouts/OSS_SearchResults.aspx?k=messageid:e9ba5cd9-ad8c-4954-a0